

Policy Excerpt: Additional Special Pay and Appointment Considerations

Special Within-Range Base Pay Adjustments to Investment Staff

The Chief Investment Officer may, at any time during the year, grant a special within-range base salary adjustment of up to 15% of annual base salary to an investment management staff member covered by these policies, to address retention or internal equity issues. In extenuating circumstances, the within-range adjustment may exceed 15% of annual base salary, with the approval of the Chief Executive Officer. The Chief Investment Officer shall report special adjustments granted under this provision to the Performance and Compensation Committee and the Board, in closed session.

See attached form:

Special Within Range Base Pay Adjustment for Investment Staff

Special Within-Range Base Pay Adjustment for Extraordinary Circumstances

There may be extraordinary circumstances in which the Performance and Compensation Committee may wish to recommend to the Board that a covered executive's base salary rate be increased, consistent with or outside of the annual performance appraisal process, to address unique retention or pay equity considerations. Such requests will be reviewed by the Performance and Compensation Committee on a case-by-case basis for adoption by the Board.

Interim Appointments

Interim appointments to covered positions may be made in instances where it is necessary to temporarily assign a staff member the full range of responsibilities in a position until a new permanent appointment is completed. Such assignments shall typically be at least 60 days in duration and at a compensation level determined by the appointee's current pay rate in relation to the base salary range of the vacated position.

Interim appointments and appointee compensation for the positions of Chief Executive Officer, Chief Investment Officer, Chief Actuary and General Counsel require approval of the Board. Interim appointments and appointee compensation for Chief Operating Investment Officer and Senior Investment Officer positions require the approval of the Chief Executive Officer, who will report the interim appointments and appointee compensation to the Committee and the Board.

Retention Differential For Investment Management Positions

In order to retain highly skilled investment managers, a retention differential may be provided to those whose skills and experience is deemed critical to the successful management of the fund. The differential may be provided in addition to any other compensation policy provision and may be paid at any time during the fiscal year. This provision applies to the Chief Investment Officer, Chief Operating Investment Officer, Senior Investment Officer, Senior Portfolio

Manager, and Portfolio Manager classifications and expires June 30, 2012. The differential award is limited to no more than 15% of eligible staff in the classifications identified above per fiscal year.

Differential eligibility criteria:

- Employee may receive the differential only once in a 24-month period
- Employee must be employed with CalPERS for at least 12 months
- Employee must have received an overall rating of *Consistently Exceeds Standards* on their most recent employee evaluation
- Employee may receive an amount up to 20% of his/her base salary
- Payment of the differential for the Chief Operating Investment Officer, Senior Investment Officer, Senior Portfolio Manager, and Portfolio Manager classifications requires the approval of the Chief Investment Officer and Chief Executive Officer
- Payment of the differential for the Chief Investment Officer requires the approval of the Board of Administration, upon recommendation of the Performance and Compensation Committee
- For all classifications, repayment of the entire differential is required in the event the employee does not continue employment with CalPERS for two years from the date the payment was awarded.
- For all classifications, repayment of the entire differential is required in the event the employee violates any CalPERS policy embodied in, but not limited to, the Working Values Handbook.

Any exception to the repayment provisions requires approval of the Chief Executive Officer and/or other approving authority as listed above by classification.

See attached form:

Approval of Retention Differential

***Recruitment
Differential***

In order to attract and retain highly skilled executives, a recruitment differential may be provided when hiring executives from outside state service. It is a one-time front-end payment, upon appointment, and is designated as an incentive to accept a position. The amount of the differential is specific to each such executive's personal circumstances. In no case shall a recruitment differential exceed 60% of a new hire's annual base salary.

Differential criteria:

- For Chief Operating Investment Officer, Senior Investment Officer, Senior Portfolio Manager, and Portfolio Manager; the Chief Executive Officer, upon recommendation by the Chief Investment Officer, would approve the differential based on the individual's personal circumstances, not to exceed 60% of the new hire's first year's base salary.

- For Chief Investment Officer, Chief Actuary and General Counsel; the Chief Executive Officer would approve the differential based on the individual's personal circumstances, not to exceed 60% of the new hire's first year's base salary.
- For Chief Executive Officer, the Board of Administration, upon recommendation of the Performance and Compensation Committee, would approve the differential based on the individual's personal circumstances, not to exceed 60 % of the new hire's first year's base salary.

For all classifications, repayment of part or all of the differential would be required in the event the executive does not continue employment with CalPERS for two years, based upon the following prorated schedule:

- 0 – less than 12 months: 100% payback
- 12-24 months: 50% payback

Any exception to the repayment schedule requires approval of the Chief Executive Officer and/or other approving authority as listed above by classification.

See attached form:

Approval of Recruitment Differential

**REQUEST FOR
RETENTION DIFFERENTIAL**

Employee: _____

Position: _____

Criteria for Retention Differential:

- **Hire Date:**
Must be employed by CalPERS at least 12 months _____
- **Rating on Last Performance Evaluation:**

Must have received Consistently Exceeds Standards rating on last performance evaluation

Current Base Salary:	\$	_____	Recommended Retention Differential:	%	_____	Differential Amount:	\$	_____
<i>In no case shall retention differential payment exceed 20% of employee's annual base salary.</i>								

Justification for Retention Differential:
Demonstrate how employee's skills and experience are deemed critical to the successful management of the fund

Requestor	Date
_____	_____
Chief Operating Investment Officer	Date
_____	_____
Chief Investment Officer	Date
_____	_____
Chief Executive Officer	Date
_____	_____